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Thursday, August 28, 2008

Antiques, time, gold, and bit gold

What do antiques, time, and gold have in common? They are costly, due either to their original cost or the improbability of their history, and it is difficult to spoof this costliness. For example, it is usually difficult to spend an extra hour at the office without sacrificing about an hour of your personal life.

Unforgeable costliness is a pattern that recurs in many human institutions and is fundamental to civilization. Modern employment is based on the time-rate wage. Our monetary system is based on money being made unforgeably costly either through collectibles, commodity standards, or (in modern fiat currencies) accounting.

The unforgeable costliness pattern includes the following basic steps:

(1) find or create a class of objects that is highly improbable, takes much effort to make, or both, *and* such that the measure of their costliness can be verified by other parties.

(2) use the objects to enable a protocol or institution to cross trust boundaries

There are some problems involved with implementing unforgeable costliness on a computer. If such problems can be overcome, we can achieve bit gold. This would be the first online currency based on highly distributed trust and unforgeable costliness rather than trust in a single entity and traditional accounting controls. Hal Finney has implemented a variant of bit gold based on a tamper-evident computer plug-in card, for which remote users can verify what code is running on the card.

Posted by Nick Szabo at 4:32 PM

1 comment:

Anonymous said...

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About Me

Nick Szabo

"A premier thinker about history, law and economics, and the lessons they have for security." -- Adam Shostack, Emergent Chaos

"Szabo comes out with these essays that leave me in awe." -- Brian Dunbar

"Reading material that is eclectic, challenging and endlessly fascinating." -- Sean McGrath, Propylon

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